



City of Detroit

OFFICE OF THE AUDITOR GENERAL

**Audit of the
Airport Department's
Compliance with the
City's Bank Account
Reconciliation Procedure**

November 2003

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the City's Bank Account Reconciliation Procedure**

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MEMORANDUM

DATE: January 7, 2004

TO: Honorable City Council

FROM: Joseph L. Harris
Auditor General 

RE: Audit of the Airport Department's Compliance with the City's Bank
Account Reconciliation Procedure

C: Mayor Kwame M. Kilpatrick

To encourage and promote proper accounting procedures and assess certain controls specific to cash management, the Office of the Auditor General (OAG) audits the bank reconciliation reports of all agencies within the City of Detroit. These audits are conducted throughout the year.

This report presents the results of our audit of the Airport Department's reconciliation procedures for its three bank accounts.

AUDIT PURPOSE, SCOPE, OBJECTIVE, AND METHODOLOGY

Audit Purpose

The purpose of the Office of the Auditor General's (OAG) audit is to determine whether bank reconciliations for City agencies are being completed in accordance with the Finance Department's Bank Reconciliation Policy and Procedure.

Audit Scope

The OAG audited bank reconciliations for the three bank accounts maintained by the Airport Department: Imprest Cash, Airport Operating and Maintenance, and Airport Improvements. The bank statements requested and reviewed were for the month of June 2003.

Our audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, except that an external quality review has not been completed within the last three years.

Audit Objective

The objective of our bank account reconciliation audit was to determine whether the bank accounts for the Airport Department were properly reconciled, in a timely manner, in accordance with the Finance Department's Bank Reconciliation Policy and Procedure.

Audit Methodology

To accomplish the objective, our work included the following:

- Reviewed the City's policy and procedure on bank account reconciliations.
- Contacted Airport Department personnel to obtain copies of recent bank account reconciliations.
- Contacted Finance Department Treasury Division personnel to obtain recent Airport Department bank account reconciliations.
- Reviewed each bank account reconciliation for compliance with the Finance Department's Bank Reconciliation Policy and Procedures, and with sound accounting principles.

BACKGROUND

An important component of internal control is management's ongoing process of monitoring compliance with policies and procedures, and the safeguarding of assets.

Among the fiscal controls for safeguarding assets is the periodic comparison of actual assets with amounts shown in accounting records, in this case the comparison of external records with internal accounting records.

Preparing reconciliations between external and internal records helps to provide assurance that the City's cash assets do in fact exist.

The timely verification of the existence of assets and proper valuation provides information to the agency that allows it to make sound decisions.

It is not uncommon to have items in transit or clerical errors that account for differences between the book and bank balances. It is expected that these items will be resolved within a reasonable time period and will not remain as reconciling items indefinitely.

FINDINGS AND RECOMMENDATIONS

The Airport Department provided the OAG with a copy of the June 30, 2003 reconciliation for each of its three bank accounts. A summary of the Airport Department's compliance with the City's Bank Reconciliation Policy and Procedure is contained in the following schedule.

Agency Bank Account	Was a Reconciliation Completed?	Completed Within 45 Days?	Any Unresolved Items?	Forwarded to Treasury?	Book Balance	Bank Statement Date
Imprest Cash	No	No	No	No	\$2,500.00	6/30/03
Airport Operating & Maintenance	Yes	No	No	Yes	\$83,723.00	6/30/03
Airport Improvements	Yes	No	No	Yes	\$116,937.00	6/30/03

1. Complete Reconciliations Within 45 Days of the Bank Statement Date

The Airport Department's bank reconciliations were not completed within 45 days. Reconciliations of the June 30, 2003 Airport Operating and Maintenance account and the Airport Improvement account were approved and dated in October 2003. The Imprest Cash account reconciliation was not fully completed because the reconciliation did not have the required approval signature and date.

An Airport Department representative stated that its reconciliations were not completed within 45 days because it was waiting for adjusting journal entries to be posted so that DRMS would reflect the correct June ending balance.

Verification of the existence of assets allows the agency to quickly identify instances of misappropriation or error, and provides management the information necessary to make sound decisions.

The Finance Department's Bank Reconciliation Policy requires that each agency complete a bank reconciliation monthly, for each account tied directly to its funds, no later than 45 days after the bank statement date. The Bank Reconciliation Procedure requires that the reconciliation be signed and approved.

We recommend that the Airport Department fully complete the reconciliations of all its bank accounts within 45 days of the bank statement date.

2. Forward Copies of All Completed Reconciliations to the Treasury Division

Copies of both the Airport Operating and Maintenance account and the Airport Improvement account June 30, 2003 reconciliations were on file in the Treasury

Division. However, the June 30, 2003 Imprest Cash account reconciliation had not been filed with the Treasury Division. A Department representative indicated that copies of the reconciliations for all its accounts will be submitted to the Treasury Division in the future.

The centralized collection of reconciled bank statements allows City administration to monitor each agency's compliance with City policy, and provides assurance that City funds are properly controlled and accounted for.

The Finance Department's Bank Reconciliation Procedure requires that each Agency forward an original, approved and dated, bank reconciliation to the Treasury Division monthly. The Bank Reconciliation Policy requires that the reconciliation be completed no later than 45 days of the bank statement date and sent to the Treasury Division.

We recommend that the Airport Department forward its completed and approved bank reconciliations to the Treasury Division within 45 days of the bank statement date.